



WESTERN SELECTION P.L.C.

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INTERIM STATEMENT

31ST DECEMBER

2010

# Western Selection P.L.C.

(Incorporated in England – No. 234871)

(the “Company” or “Western”)

## Directors:

D.C. Marshall, Chairman  
E.J. Beale  
A.J. Hall  
J.M. Robotham, OBE, FCA

## Registered office:

30 City Road,  
London, EC1Y 2AG

23rd February 2011

## TO THE MEMBERS

The Directors are pleased to present the unaudited interim results of the Company for the six months ended 31st December 2010.

Our net assets per share increased 16% to 71p at 31st December 2010 from 61p at 30th June 2010. Our Strategic Investments increased in value by 20% and our General Portfolio increased by 13%. This compares with increases of 14% in the FTSEurofirst 300 index and 22% in the S&P 500 index over the half year. At the close of business on 15th February 2011, our net asset value was 72.4p per share.

Dividend income from the general portfolio has declined by 15% over the same period last year, reflecting the general economic position. Dividend income from Strategic Investments has doubled from the comparative period last year, due to final and interim dividends of £52,500 from Creston in the current period (2009: nil) and an increase in dividends received from Northbridge and Swallowfield, reflecting the increased investments in those companies and an increase in the rate of the Northbridge dividend. We continue to be pleased with the performance of our associated company, Hartim, which has performed well in spite of volatile markets.

The Company made a profit for the half year of £328,000 (1.8p per share). This compares to £131,000 for the same period last year (0.7p per share). The main difference is the increase in dividends from Strategic investments, a recovery of an impairment provision made at June 2010 and an improved performance by Hartim. Administrative expenses have been contained and include a temporary reduction in Directors' fees which we plan to reverse from 1st July 2011.

With substantial unused borrowing facilities available, Western is well placed to take advantage of any investment opportunities that are attractive to the Board.

## Investment policy and management

Western's investment policy is to hold strategic stakes in a few special situations and maintain a diversified portfolio of high quality U.K. and internationally listed equities. Strategic investments are minority positions where we seek to maintain a close working relationship with the management of the investee. Western has nominees on the boards of three of our four strategic investments and is working to improve contact with the Swallowfield board.

An analysis of assets is shown on the face of the balance sheet. The general portfolio is supervised by two non-executive directors: Andrew Hall and Michael Robotham, and the Board as a whole takes decisions in relation to both our strategic and unlisted investments.

## General Portfolio

The value of our general portfolio increased by 13% over the period to £2,503,000. The general portfolio represents 20% of Western's assets, and a net £132,000 has been withdrawn from the general portfolio during the period. We are in the process of increasing the international diversification of the general portfolio, primarily through investment in major offshore companies with global interests.

## Strategic Investments

### Creston plc

Creston is a marketing services group with a strategy to grow within its sector to become a substantial, diversified international marketing services group. Creston's results for the half-year to 30th September 2010 show a loss after tax of £133,000 (2009: profit – £435,000). The results of the six month period are after charging £3,159,000 for the write off of goodwill on the disposal of DLKW advertising agency for £28m. Net debt was extinguished by this transaction. Creston has recently announced the acquisition of the Cooney/Walters Businesses in the U.S.A.. That company has been associated with Creston's divisions servicing the health care industry for some time.

Western owns 3,000,000 shares in Creston (4.9%) with a market value at 31st December 2010 of £2,520,000 (30th June 2010: £2,752,000), being 20% of Western's assets.

I am a non-executive director of Creston.

#### **Northbridge Industrial Services PLC**

Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment such as electrical load banks and generators. Northbridge's first acquisition was Crestchic Limited, one of the largest specialist load bank equipment manufacturers in the world, located in Burton-on-Trent, selling and hiring to a national and international customer base. Northbridge has recently added to its interests in Dubai by increasing its fleet of power and other electrical equipment.

Northbridge's latest results, for the half year to 30th June 2010, showed profit of £1,024,000 (2009: £806,000), reflecting the growth in higher margin rental business.

Western took up 325,000 shares at a cost of £406,250 (£1.25/share) in July 2010 under an open offer for Northbridge to acquire Tasman Oil Tools Pty Ltd, based in Perth, Western Australia. Western now owns 2,200,000 shares, representing 14.39% of Northbridge's share capital. The value of this investment at 31st December 2010 was £4,268,000 (30th June 2010: £2,508,000), representing 33% of Western's assets.

I am a non-executive director of Northbridge.

#### **Swallowfield plc**

Swallowfield is a full service provider for global and household brands operating in the cosmetics and personal care and household goods marketplace. It offers a flexible and tailored service including: contract filling market analysis, design, formulation and testing of products, packaging design and sourcing and distribution of stock.

Swallowfield's latest results, for the year to 30th June 2010, showed profit of £921,000 (30th June 2009: £1,094,000) against a background of customer uncertainty and rising input costs.

At 31st December 2010, Western owned 1,837,649 shares in Swallowfield (16.25% of their issued share capital) having increased the holding by 340,000 shares at a cost of £434,000. The market value of the Company's holding in Swallowfield on 31st December 2010 was £2,444,000 (30th June 2010: £1,816,000) representing 19% of the Company's assets.

We do not believe that the Board of Swallowfield has the necessary mix of skills and experience amongst its non-executive directors and we will continue to work with other shareholders to rectify this.

#### **Hartim Limited**

Hartim offers a complete export sales, marketing and logistical services to a number of UK branded fast moving consumer goods companies. This investment was acquired on 28th March 2009 and is accounted for as an associated company.

Hartim's estimated results for the year ended 31st December 2010 is a profit of £540,000 after tax (2009: £335,000). These results are a credible achievement under challenging world wide conditions and represent a good return on our investment. Hartim's results vary over the year and are traditionally better in the second half of the calendar year.

At 31st December 2010, Western owned 49.5% of Hartim. The carrying value of the Company's investment in Hartim on 31st December 2010 was £1,355,000 (30th June 2010: £1,128,000) representing 11% of the Company's assets.

Mr. Beale is a non-executive director of Hartim.

#### **Conclusion & Outlook**

We are concerned about the short term outlook in the developed world, but our strong financial position gives us a degree of cautious optimism.

The Board has declared an increased interim dividend of 0.7p per share (2010: 0.65p) that will be paid on Friday 25th March 2011 to shareholders on the register at the close of business on 4th March 2011. Subject to unforeseen circumstances, we expect to show satisfactory results for the period to 30th June 2011 and to declare a similar final dividend for the current year, which the Board anticipates paying in October 2011.

**D.C. MARSHALL**  
Chairman

## Unaudited Income Statement

	Half year ended 31st December		Year ended 30th June
	2010 £000	2009 £000	2010 £000
<b>Income from investments in:</b>			
Listed strategic undertakings	162	81	164
Other listed investments	29	34	85
Surplus on disposal of listed undertakings	38	42	134
	<u>229</u>	<u>157</u>	<u>383</u>
Administrative expenses – normal	(140)	(139)	(269)
	<u>89</u>	<u>18</u>	<u>114</u>
<b>Operating profit</b>	89	18	114
<b>Share of results of associated companies</b>	239	99	128
Finance income	–	14	14
	<u>328</u>	<u>131</u>	<u>256</u>
<b>Profit on ordinary activities before taxation</b>	328	131	256
Taxation	–	–	–
	<u>328</u>	<u>131</u>	<u>256</u>
<b>Profit on ordinary activities after taxation</b>	328	131	256
<b>Other of Comprehensive Income</b>			
Fair value recycled from equity on disposal	16	39	68
Fair value adjustment on listed undertakings	1,641	1,737	1,792
	<u>1,985</u>	<u>1,907</u>	<u>2,116</u>
Total comprehensive income	1,985	1,907	2,116
	<u>1,985</u>	<u>1,907</u>	<u>2,116</u>
Basic earnings per share	1.8p	0.7p	1.4p
Interim dividend per share	0.70p	0.65p	0.65p
Final dividend per share	–	–	0.65p

## Changes in Shareholders' Equity

Total comprehensive income	1,985	1,907	2,116
Dividends paid	(117)	–	(117)
Shares cancelled	(3)	–	–
	<u>1,865</u>	<u>1,907</u>	<u>1,999</u>
Equity shareholders' funds at start of period	10,935	8,936	8,936
	<u>12,800</u>	<u>10,843</u>	<u>10,935</u>

## Unaudited Statement of Financial Position

	31st December		30th June
	2010	2009	2010
	£000	£000	£000
<b>Non-current assets</b>			
<b>Strategic Investments</b>			
Creston plc	2,520	2,377	2,752
Swallowfield plc	2,444	1,766	1,816
Northbridge Industrial Services PLC	4,268	2,475	2,508
Associates	1,518	1,250	1,279
<b>General Portfolio investments</b>	<b>2,503</b>	<b>2,311</b>	<b>2,256</b>
	<u>13,253</u>	<u>10,179</u>	<u>10,611</u>
Current assets – trade and other receivables	30	65	37
Bank (overdraft)/cash at bank and in hand	(437)	651	328
Other current liabilities – trade and other payables	(46)	(52)	(41)
<b>Net current assets</b>	<b>(453)</b>	<b>664</b>	<b>324</b>
<b>Total assets less current liabilities</b>	<b>12,800</b>	<b>10,843</b>	<b>10,935</b>
<b>Capital and Reserves</b>			
Called up share capital	7,180	7,182	7,182
Share premium account	2,653	2,654	2,654
Capital reserve	3	–	–
Warrants reserve	–	148	148
Unrealised profits and losses on investments	700	(1,394)	(1,058)
Share of undistributed profits of associates	599	330	360
Realised profits and losses	1,665	1,923	1,649
Equity shareholders' funds	<u>12,800</u>	<u>10,843</u>	<u>10,935</u>
Net assets per share at market value – pence	71p	60p	61p
Number of shares in issue	17,949,872	17,956,419	17,956,919

### Notes:

- The results for the half-year are unaudited. The information contained in this report does not constitute statutory accounts within the meaning of the Companies Act 2006. The statutory accounts of Western Selection P.L.C. for the year ended 30th June 2010 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified.
- This report has been prepared in accordance with the accounting policies contained in the Company's Annual Report and Accounts 2010 and comply with IAS 34.
- The calculation of earnings per share is based on the weighted average number of shares in issue for the period and the profit on ordinary activities after tax.

## Cash Flow Statement

	Half year ended 31st December		Year ended 30th June
	2010 £000	2009 £000	2010 £000
<b>Profit before taxation</b>	<b>328</b>	131	256
Profits on sale of investments	(38)	(42)	(134)
Share of results of associates	(239)	(99)	(128)
Net interest received	–	–	(14)
Decrease in debtors and accrued income	6	204	232
Increase in creditors	6	11	–
	<u>63</u>	<u>205</u>	<u>212</u>
Net interest received	–	–	14
	<u>63</u>	<u>205</u>	<u>226</u>
<b>Cash generated by operations</b>	<b>63</b>	205	226
<b>Investing activities</b>			
Proceeds of disposal of fixed asset investments	199	432	1,350
Purchase of fixed asset investments	(67)	(170)	(1,224)
	<u>132</u>	<u>262</u>	<u>126</u>
Purchase of strategic investments	(840)	(106)	(197)
	<u>(708)</u>	<u>156</u>	<u>(71)</u>
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(708)</b>	156	(71)
<b>Financing activities</b>			
Equity dividend paid	(117)	–	(117)
Repurchase of shares	(3)	–	–
	<u>(120)</u>	<u>–</u>	<u>(117)</u>
<b>Net cash (outflow)from financing activities</b>	<b>(120)</b>	–	(117)
<b>Movement in cash and cash equivalents</b>	<b>(765)</b>	361	38
Net cash and cash equivalents at start of year	328	290	290
	<u>(437)</u>	<u>651</u>	<u>328</u>
<b>Net cash and cash equivalents at end of year</b>	<b>(437)</b>	651	328
<b>Reconciliation to movements in cash and cash equivalents</b>			
	<b>At start Period £000</b>	<b>Cash Flow £000</b>	<b>At end Period £000</b>
<b>Half year ended 31st December 2010</b>			
Cash at bank	328	(328)	–
Bank overdraft	–	(437)	(437)
	<u>328</u>	<u>(765)</u>	<u>(437)</u>
<b>31st December 2009</b>			
Cash at bank	290	361	651
	<u>290</u>	<u>38</u>	<u>328</u>
<b>Year ended 30th June 2010</b>			
Cash at bank	290	38	328
	<u>290</u>	<u>38</u>	<u>328</u>

## Composition of General Portfolio

at 31st December 2010

	Current value £000	% £000
<b>FTSE 100</b>		
Royal Dutch Shell	181	7.2
British American Tobacco	175	7.0
Diageo	136	5.4
Unilever	119	4.8
Balfour Beatty	112	4.5
Imperial Tobacco Group	107	4.3
RSA Insurance Group	101	4.0
Cobham	82	3.3
BP	71	2.8
BHP Billiton	39	1.6
Reckitt Benckiser	31	1.2
HSBC Holdings	30	1.2
	<hr/> 1,184	<hr/> 47.3
<b>FTSE 250 and FTSE Fledgling</b>		
Rotork	85	3.4
Bioquell and other	108	4.3
	<hr/> 193	<hr/> 7.7
<b>Total UK</b>	<hr/> 1,377	<hr/> 55.0
<b>Quoted Investment Funds</b>		
Sarasin International Equity Income Fund (A Class Inc)	141	5.6
Equisar Global Thematic Fund (A Class Inc)	132	5.3
	<hr/> 273	<hr/> 10.9
<b>USA</b>		
Phillip Morris International	76	3.0
Brown Forman	33	1.3
Chevron	33	1.3
Becton Dickinson	33	1.3
Exxon	32	1.3
United Technologies	31	1.2
Procter and Gamble	29	1.2
Colgate Palmolive	28	1.1
Kellogg	26	1.1
Lockheed Martin	24	1.0
	<hr/> 345	<hr/> 13.8
<b>Europe</b>		
Novartis	69	2.8
Schindler-Holdings	49	2.0
BASF	44	1.8
Koninklijke	39	1.6
Nestle	38	1.5
ABB	38	1.5
Holcim	36	1.4
Zurich Financial Services	35	1.4
Pernod Ricard	33	1.3
Danone	33	1.3
L'Oreal	33	1.3
Heineken	32	1.3
Total	29	1.1
	<hr/> 508	<hr/> 20.3
<b>Total</b>	<hr/> 2,503	<hr/> 100.0

